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SUBJECT: TURKEY: ENERGY MINISTER ON CASPIAN GAS TO EUROPE

Classified By: AMBASSADOR ROSS WILSON FOR REASONS 1.4 (B,D)

11. (C) Summary. Meeting on the margins of Baku-Tbilisi-Ceyhan oil pipeline inauguration ceremonies in Istanbul on July 12, Deputy Secretary of Energy Clay Sell and Turkish Energy Minister Hilmi Guler reviewed Turkish-U.S. cooperation in helping Europe diversify its natural gas supplies as well as cooperation in Turkey's domestic energy sector. Guler highlighted his worry that time was working against efforts to provide Europe with sources of gas as alternatives to Russia. Noting that winter is coming, he feared that Russia would again pressure and threaten Turkey and other countries to enter into long-term arrangements that could preclude development of Caspian gas supplies from Azerbaijan, Kazakhstan, or Turkmenistan. He doubted Azerbaijani and BP claims that large amounts of newly found Azeri gas could be made available quickly, and therefore urged that efforts be made with Kazakhstan and Turkmenistan as well. Sell and Guler agreed that there were good opportunities for U.S.-Turkey cooperation on energy efficiency as well as to develop alternative sources of energy in Turkey, including nuclear, hydrogen, wind, and solar, as well as cooperation on clean coal technologies. Other participants in the meeting included Ambassador, EB A/S Dan Sullivan, SCA PDAS Steven Mann, and DOE, State and Embassy Staff, as well as Turkish Energy Ministry staff and MFA Energy expert Mithat Rende. End Summary.

New Sources of Gas for Europe

12. (C) Deputy Secretary Sell extended the greetings of the President and Secretary Bodman and congratulated the Minister on the opening of the BTC pipeline. He asked for the Minister's thinking on next steps needed to solidify Turkey's role as an energy hub, especially for gas. Minister Guler stressed that time was of the essence in providing Europe with access to new sources of natural gas and noted that work on the Turkey-Greece Interconnector (TGI) project was well underway. Guler said he doubted claims by Azerbaijan and BP

that sufficient gas reserves were available in Azerbaijan to provide large volumes to Europe. Specifically, he found unconvincing their claims that 50 bcm per year could be available for export. At the same time, some European countries and companies, particularly Austria, are ignoring their own principles and those of the Energy Charter by seeking Iranian gas for the Nabucco project. Given these alternatives, Guler said he believes that Kazakh and Turkmen gas exports to Europe via Turkey must also be developed.

13. (C) Guler reiterated that timing was critical. He is especially concerned about the upcoming winter and pressure that could be applied by Russia on consumers like Turkey, Georgia, Greece and Italy as well as Azerbaijan, which is still a gas importer. Gazprom, Guler said, is making progress pressuring European countries and is "signing new contracts every week." Recalling the impact of the early 2006 shut off of gas to Ukraine and the shortages that had caused in Turkey, Guler said, "I don't want to face that situation again." Ambassador Wilson pointed out that that was precisely why we were very interested in working quickly and aggressively with Turkey and Azerbaijan to get larger volumes of Azerbaijani gas to Turkey and to Europe. Otherwise Russia could lock-in long term supply contracts that would lock-out Azerbaijani gas.

Turkey's Nuclear and Alternative Energy Plans

14. (C) Sell said he was encouraged by Turkey's interest in developing nuclear electricity generation capacity. He said the United States was supportive of this and ready to help

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Turkey achieve its goal. This was consistent with the President's Global Nuclear Energy Partnership (GNEP). Sell hoped that U.S. companies, which have the most advanced technologies, would be welcome. Guler noted that developing nuclear generating capacity was needed to meet growing energy needs and reduce dependence on gas imports. He said the private sector would make the investments in nuclear generation. He said Turkey also hoped to encourage investment in other nuclear applications, such as in medicine and agriculture. Noting that Turkey was an agricultural country and held 72% of global boron reserves, Guler said Turkey was interested in other areas of energy cooperation with the United States, including biomass and hydrogen. He is also interested in working with the United States on clean coal generation technology, as he had discussed with Secretary Bodman in February.

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15. (C) Guler favorably described oil and gas exploration by U.S. companies on the Black Sea coast and in southeastern Turkey. In response to Sell's question about "Bosphorus bypass" pipelines, Guler said that the Turkish government was backing the Samsun-Ceyhan project, and described the potential of Ceyhan as a regional energy oil and gas center. In addition to Samsun-Ceyhan, he is interested in working with the United States on bringing Iraqi gas to Ceyhan along the existing right of way of the Kirkuk-Yumurtalik pipeline and building an LNG facility in Ceyhan to export Iraqi gas. Ambassador reminded the Minister that U.S. companies continued to be interested in the "protocol" hydropower projects agreed to in the late 1990s, and said that moving forward on them would send a good signal to investors. Guler said that Turkey had improved its laws to encourage foreign investment in the sector and would continue doing so.

16. (U) This cable has been cleared by DOE.

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